



The Voice of Rural Telecommunications

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October 4, 1996

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OCT 4 1996

Mr. William F. Caton, Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

RE: Ex Parte Presentation
CC Docket No. 96-45

Dear Mr. Caton:

In accordance with the Commission's Rules regarding ex parte communications, I am writing to notify the Commission that the undersigned, L. Marie Guillory of the National Telephone Cooperative Association, Lisa Zaina of OPASTCO, and Margot Humphrey of Koteen and Naftalin met yesterday with Commissioner Laska Schoenfelder, South Dakota Public Utilities Commission to discuss the Universal Service proceeding before the Federal-State Joint Board. The issues discussed are fully reflected in the filed comments of the Rural Telephone Coalition. In addition, the attached documents were distributed and discussed.

Should you have any questions regarding this matter, please contact me at 298-2359.

Sincerely yours,

L. Marie Guillory
L. Marie Guillory
Regulatory Counsel

RHB

cc: Commissioner Laska Schoenfelder

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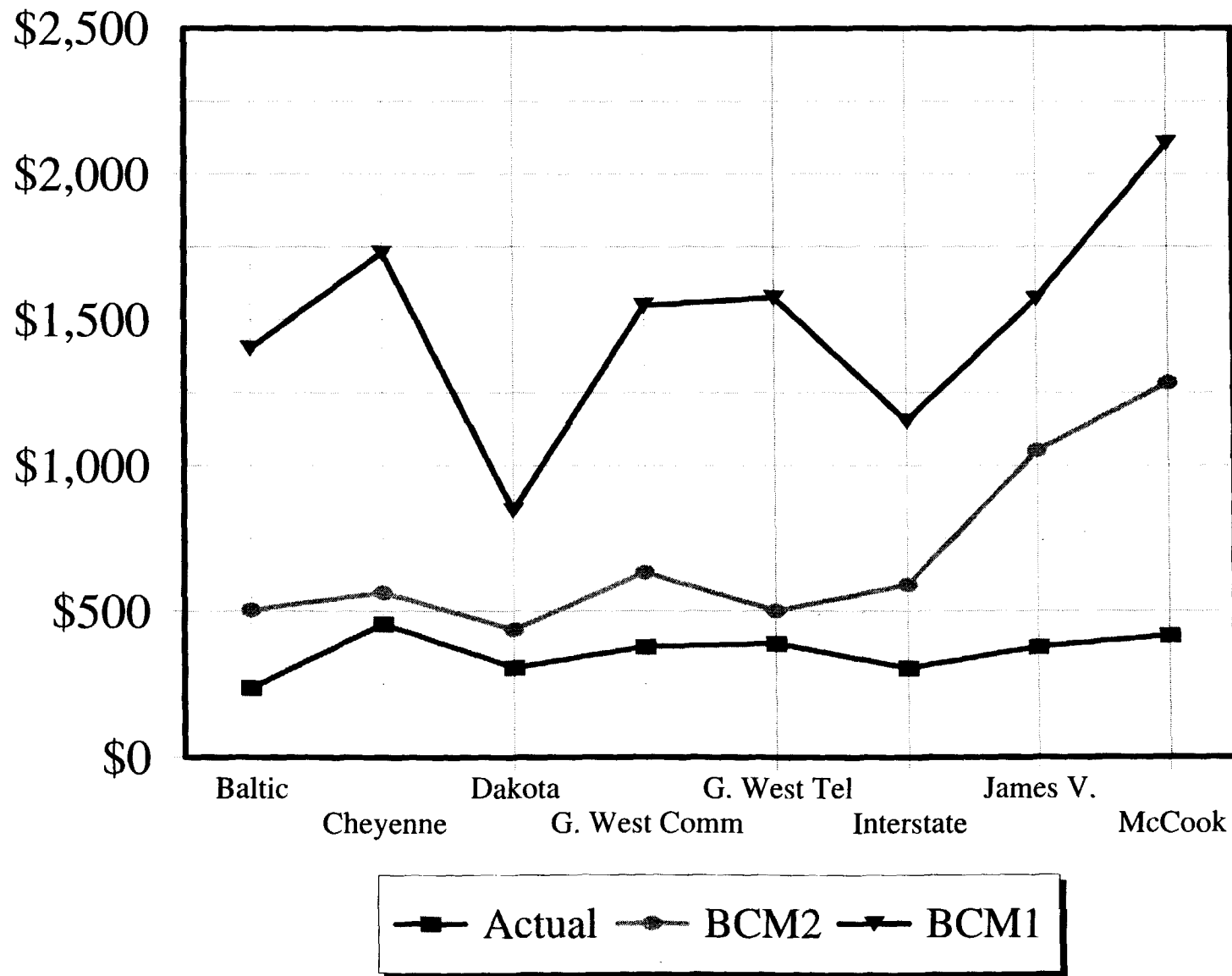


Rural Telephone Coalition

EIGHT STEPS TO UNIVERSAL SERVICE

1. Successful completion of this key universal service phase of the FCC "trilogy" -- and a sufficient, coordinated transition -- are essential to protect consumers from undue rate and SLC increases threatened by the combined impact of the FCC's interconnection rules and its forthcoming access reform proceedings.
2. The federal universal service mechanism must be fully validated as "specific," "predictable" and "sufficient to achieve [the Act's universal service purposes]" -- before it is adopted.
3. The Joint Board should avoid shifting costs into the intrastate jurisdiction: Federal universal service funding must keep services and rates, including the SLC, reasonably comparable for rural and urban customers.
4. All proxies proposed so far are unvalidated and predict future costs that fail to reflect small and rural ILEC differences or identify high costs accurately enough to satisfy the statutory goals and requirements that funding be "specific," predictable" and "sufficient."
5. ILECs need to recover the actual embedded costs of the real networks they operate--to prevent confiscation, provide business (not theoretical) incentives for network advances and offset the real shortfalls from the TELRIC standard in the FCC's interconnection rules.
6. The Joint Board should maintain distinct USF and DEM Weighting accounts based on actual costs, at least for rural LECs, since the record proves they identify and compensate valid high costs. Bulk billing will ensure that switching support is unquestionably explicit.
7. The Act precludes paying CLECs subsidies based on an ILEC's service area costs: Even a CLEC option for 50% of disaggregated ILEC universal service funding or actual CLEC costs sets more efficient entry incentives and limits CLEC USF windfalls at ratepayer expense.
8. Funding for schools, libraries and rural health care providers should be sufficient, but separate from high cost support.

Members - South Dakota (p1 of 2)



Members - South Dakota (p2 of 2)

